



FILE COPY

September 10, 2013

F. Jack Henderson III  
President  
Brookstone College of Business  
10125 Berkeley Place Drive  
Charlotte, NC 28262-1294

UPS Tracking Number  
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RE: **Final Program Review Determination**  
OPE ID: 00781400  
PRCN: 201130427573

Dear President Henderson:

The U.S. Department of Education's (Department's) School Participation Team - Atlanta issued a program review report on May 21, 2012 covering Brookstone College of Business' (BCB) administration of programs authorized pursuant to Title IV of the Higher Education Act of 1965, as amended, 20 U.S.C. §§ 1070 et seq. (Title IV, HEA programs), for the 2009-2010 and 2010-2011 award years. The institution's final response was received on September 21, 2012.

The School Participation Team - Atlanta has reviewed BCB's responses to the Program Review Report. A copy of the program review report (and related attachments) and BCB's response are attached. Any supporting documentation submitted with the response is being retained by the Department and is available for inspection by BCB upon request. Additionally, this Final Program Review Determination (FPRD), related attachments, and any supporting documentation may be subject to release under the Freedom of Information Act (FOIA) and can be provided to other oversight entities after this FPRD is issued.

BCB's responses have resolved all findings. In addition BCB has provided assurances that the appropriate corrective actions have been taken to resolve and prevent future occurrences of all findings. Therefore, BCB may consider the program review closed with no further action required.

Program records relating to the period covered by this program review must be retained until the later of: the resolution of the loan(s), claim(s) or expenditure(s) questioned in the program review [34 C.F.R. § 668.24(e)(3)(i)] or the end of the retention period applicable to the record [34 C.F.R. § 668.24(e)(1) and (e)(2)].

**Federal Student Aid**  
An OFFICE of the U.S. DEPARTMENT of EDUCATION

School Participation Division – Atlanta  
61 Forsyth Street SW, Room 18T20  
Atlanta, Georgia 30303  
[www.FederalStudentAid.gov](http://www.FederalStudentAid.gov)

If you have any questions please call Melody Parker-Venable at (404) 974-9299.

Sincerely,

(b)(6)

A rectangular box with a black border, used to redact the signature of Charles Engstrom. A handwritten checkmark is visible to the right of the box.

Charles Engstrom  
Division Director

Enclosure: Program Review Report (with attachments)  
BCB Response to the Program Review Report  
Protection of Personally Identifiable Information

cc: Pam Dorsey, Financial Aid Administrator  
NC State Board of Community Colleges  
Accrediting Council for Independent Colleges and Schools

## **PROTECTION OF PERSONALLY IDENTIFIABLE INFORMATION**

Personally Identifiable Information (PII) being submitted to the Department must be protected. PII is any information about an individual which can be used to distinguish or trace an individual's identity (some examples are name, social security number, date and place of birth).

PII being submitted electronically or on media (e.g., CD-ROM, floppy disk, DVD) must be encrypted. The data must be submitted in a .zip file encrypted with Advanced Encryption Standard (AES) encryption (256-bit is preferred). The Department uses WinZip. However, files created with other encryption software are also acceptable, provided that they are compatible with WinZip (Version 9.0) and are encrypted with AES encryption. Zipped files using WinZip must be saved as Legacy compression (Zip 2.0 compatible).

The Department must receive an access password to view the encrypted information. The password must be e-mailed separately from the encrypted data. The password must be 12 characters in length and use three of the following: upper case letter, lower case letter, number, special character. A manifest must be included with the e-mail that lists the types of files being sent (a copy of the manifest must be retained by the sender).

Hard copy files and media containing PII must be:

- sent via a shipping method that can be tracked with signature required upon delivery
- double packaged in packaging that is approved by the shipping agent (FedEx, DHL, UPS, USPS)
- labeled with both the "To" and "From" addresses on both the inner and outer packages
- identified by a manifest included in the inner package that lists the types of files in the shipment (a copy of the manifest must be retained by the sender).

PII data cannot be sent via fax.

Prepared for

**Brookstone College of  
Business**

OPE ID 00781400  
PRCN 201130427573

Prepared by  
**U.S. Department of Education  
Federal Student Aid  
School Participation Division - Atlanta**

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**Final Program Review Determination  
September 10, 2013**

Atlanta School Participation Division  
61 Forsyth Street SW, Room 18T40  
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## Table of Contents

### Table of Contents

A. Institutional Information .....	3
B. Scope of Review.....	3
C. Findings.....	4
Finding 1 Limiting the Awarding and Disbursing of Financial Aid.....	4
Finding 2 Incorrect Information on Student Ledger/ Unclear Ledger Trail .....	8
Finding 3 Incomplete Verification.....	11
Finding 4 Credit Balance Deficiencies .....	14
Finding 6 Award Notification Procedures not Followed .....	16
Finding 9 Entrance and Exit Counseling Deficiencies .....	17
D. Appendices.....	19
Appendix A: Student Sample	
Appendix B: Institution's Response	
Appendix C: Program Review Report	

### **A. Institutional Information**

Brookstone College of Business  
10125 Berkeley Place Drive  
Charlotte, NC 28262-1294

Type: Proprietary

Highest Level of Offering: 1-Year Non-Degree Programs

Accrediting Agency: Accrediting Council for Independent Colleges and Schools

Current Student Enrollment: 412 (2011-2012)

% of Students Receiving Title IV, HEA funds: 84.7% (2010-2011)

Title IV, HEA Program Participation as noted in Postsecondary Education Participation System:

	<b><u>2010-2011</u></b>
Federal Pell Grant	\$1,644,431
Federal Supplemental Educational Opportunity Grant	\$ 54,066
Federal Work Study	\$ 10,861
Federal Family Educational Loan Program	\$ 532,203
Direct Loans	\$1,615,737

Default Rate FFEL/DL:	2010	9.3%
	2009	6.0%
	2008	10.3%

### **B. Scope of Review**

The U.S. Department of Education (the Department) conducted a program review at Brookstone College of Business (BCB) from May 16, 2011 to May 20, 2011. The review was conducted by Melody Parker-Venable and Oscar Howard.

The focus of the review was to determine BCB's compliance with the statutes and regulations as they pertain to the institution's administration of the Title IV, HEA programs. The review consisted of, but was not limited to, an examination of BCB's policies and procedures regarding institutional and student eligibility, individual student financial aid and academic files, attendance records, student account ledgers, and fiscal records.

A sample of 30 files was identified for review from the 2009-2010 and 2010-2011 (year to date) award years. The files were selected randomly from a statistical sample of the total population receiving Title IV, HEA program funds for each award year. Appendix A lists the names and social security numbers of the students whose files were examined during the program review. A program review report was issued on May 21, 2012.

**Disclaimer:**

Although the review was thorough, it cannot be assumed to be all-inclusive. The absence of statements in the report concerning BCB's specific practices and procedures must not be construed as acceptance, approval, or endorsement of those specific practices and procedures. Furthermore, it does not relieve BCB of its obligation to comply with all of the statutory or regulatory provisions governing the Title IV, HEA programs.

**C. Findings and Final Determinations**

**Resolved Findings**

Findings 5, 7, 8, and 10

BCB has taken the corrective actions necessary to resolve findings 5, 7, 8, and 10 of the program review report. Therefore, these findings may be considered closed. BCB's response to the Program Review Report and the related findings can be found at Appendix B. Findings requiring further action by BCB are discussed below.

**Findings with Final Determinations**

The program review report findings requiring further action are summarized below. At the conclusion of each finding is a summary of BCB's response to the finding, and the Department's final determination for that finding. A copy of the program review report issued on May 21, 2012 is attached as Appendix C.

**Finding 1. *Limiting the Awarding and Disbursing of Financial Aid to Direct Costs, and not Cost of Attendance***

**Citation Summary:** 34 C.F.R. § 668.32, *Student Eligibility*  
34 C.F.R. § 668.165, *Notices and Authorizations*  
34 C.F.R. § 682.201, *Eligible Borrowers*  
*Higher Education Act, Section 479A(c), Refusal or Adjustments of*  
*Loan Certifications*  
34 C.F.R. § 682.603, *Certification by a Participating School in*  
*Connection with a loan application*

*34 C.F.R. § 668.32 states that a student is eligible to receive Title IV program assistance if the student is:*

- (a) A regular student enrolled, or accepted for enrollment, in an eligible program at an eligible institution;*
- (b) Is not enrolled in either an elementary or secondary school;*
- (c) Does not have a baccalaureate or first professional degree;*
- (d) Satisfies the citizenship and residency requirements;*
- (e) Has a high school diploma or its recognized equivalent;*
- (f) Maintains satisfactory progress in his or her course of study according to the institution's published standards of Satisfactory Academic Progress (SAP);*
- (g) Is not in default and has not obtained loan amounts that exceed annual or aggregate loan limits made under any Title IV loan program;*
- (h) Files a Statement of Educational Purpose in accordance with the instructions of the Secretary;*
- (i) Has a correct social security number;*
- (j) Satisfies the Selective Service registration requirements, if applicable;*
- (k) Satisfies the program specific requirements contained in 34 C.F.R. § 682.201 and 34 C.F.R. § 685.200; and*
- (l) Has resolved any drug conviction issue.*

*Pursuant to 34 C.F.R. § 668.165, an institution must notify a student of the amount of funds the student and his or her parent is eligible to receive from each FSA program, and how and when the funds will be disbursed. The notification must be sent before the disbursement is made. If the funds include Direct Loan or FFEL Program funds, the notice must indicate which funds are from subsidized loans and which are from unsubsidized loans. If Perkins, Stafford or PLUS loan funds are being credited to a student's account, the institution must also notify the student or parent in writing of the following:*

- anticipated date and amount of the disbursement;*
- student's (or parent's) right to cancel all or part of the loan or disbursement*
- procedures and the deadline by which the student (or parent) must notify the school that he or she wishes to cancel the loan or disbursement*

*If the school obtains affirmative confirmation, the notification must be sent no earlier than 30 days prior, and no later than 30 days after crediting the student's account. If the institution does not obtain affirmative confirmation, the notification must be sent no earlier than 30 days prior and no later than seven days after crediting the student's account.*

*In addition to the above, 34 C.F.R. § 682.201 states that a student is eligible to receive a Stafford Loan, and an independent undergraduate or professional student, or, subject to paragraph (a)(3) of this section, a dependent undergraduate student, is eligible to receive and unsubsidized Stafford loan, if the student who is enrolled or accepted for enrollment*

*on at least a half-time basis at a participating school meets the requirements for an eligible student under 34 C.F.R. part 668.*

*For any student who seeks an unsubsidized Stafford loan for the cost of attendance at a school that participates in the Stafford loan program, the student must:*

- Receive a determination of need for a subsidized Stafford loan;*
- And if the determination of need is in excess of \$200, have made a request to a lender for a subsidized Stafford loan;*

*The Higher Education Act of 1965 addresses the refusal or adjustment of loans. Section 479A(c) states the following:*

*“On a case-by-case basis, an eligible institution may refuse to certify a statement that permits a student to receive a loan under part B or D, or may certify a loan amount or make a loan that is less than the student’s determination of need (as determined under this part), if the reason for the action is documented and provided in written form to the student. No eligible institution shall discriminate against any borrower or applicant in obtaining a loan on the basis of race, national origin, religion, sex, marital status, age, or disability status.”*

*Similarly, 34 C.F.R. § 682.603 states that a school may refuse to certify a Stafford or PLUS loan or may reduce the borrower’s determination of need for the loan if the reason for that action is documented and provided to the borrower in writing, provided that the determination is made on a case-by-case basis; and the documentation supporting the determination is retained in the student’s file.*

*Schools do not have the authority to limit the amount of Title IV aid that an individual student may receive on a categorical basis. In addition to this, the school may not limit a student’s and or parent’s FFEL loan borrowing to the amounts needed to cover only institutional costs, or to a certain percentage of direct costs and/ or indirect costs if borrowers would qualify for additional loan funds.*

***Noncompliance Summary:*** *BCB categorically limited the amount of funds that Title IV recipients were eligible to receive in the form of FFEL and/ or Direct Loans. Students were awarded, in most cases, up to direct costs, rather than the Cost of Attendance (COA).*

*Additionally, BCB failed to provide adequate financial aid counseling to students which resulted in students not being made aware of the full loan amount for which they were eligible to receive. Based on the percentage of student files affected in the sample, the problem appears to be systemic.*

*BCB offered loans from Tuition Options for which the students were charged a \$75 processing fee and were required to make monthly installments during their period of enrollment. The following students were not notified of their eligibility to receive full amount of FFEL or DL funds:*

<i><b>Student #</b></i>	<i><b>FFEL/ DL Unsubsidized Eligible to Receive</b></i>	<i><b>FFEL/ DL Unsubsidized Awarded</b></i>
(b)(6); (b)(7)(C)		

**Required Action Summary:** *BCB was required to provide adequate financial aid counseling to all eligible students who apply for Title IV assistance. The institution was required to notify all Title IV recipients of the amount he or she can expect to receive, and how and when those funds will be disbursed.*

*Furthermore, BCB was required to develop policies and procedures for ensuring that students are counseled and notified of the amount of Title IV aid they can expect to receive, and how and when that amount will be paid. The notification must permit the student to accept, reject, or reduce the amount of the loan. A copy of the notification of*

*disbursement, and the new policies and procedures was required to be submitted to this office in response to this finding.*

**BCB's Response:** BCB responded to this finding by stating the following:

*"As of 7/1/2011, this issue is no longer relevant. With the changes in the federal definition of a credit hour, a student enrolled in any institution's eligible programs with a zero EFC no longer qualifies for enough Title IV HEA program funds to cover the costs of tuition and fees."*

BCB provided an updated response which included a copy of the "Brookstone College Financial Planning Worksheet" and the "Loan Notice".

**Final Determination:** BCB's updated "Loan Notice" and "Financial Planning Worksheet" have properly addressed the concerns of the Department, with regards to this finding. Based on the information and documentation provided, BCB has developed policies and procedures to ensure that students are properly counseled and notified of the amount of Title IV aid they are eligible to receive.

The "Brookstone College Financial Planning Worksheet" form discloses the amount of Title IV funds the student can expect to receive under each Title IV program. The student is required to read, sign, and date this form to affirm that he or she is aware of the amount of funds to which they are eligible to receive.

This finding is considered closed.

## **Finding 2. *Incorrect Postings on Student Ledger Cards/ Unclear Audit Trail***

**Citation:** 34 C.F.R. § 668.14 (b), Student Assistance General Provisions  
34 C.F.R. § 668.24 (b), Student Assistance General Provisions

*Federal regulation 34 C.F.R. § 668.24 states that a school must keep comprehensive, accurate program and fiscal records related to its use of FSA program funds. The program and fiscal records must demonstrate the school is capable of meeting the administrative and fiscal requirements for participating in the FSA programs. In addition, records must demonstrate proper administration of FSA program funds and must show a clear audit trail for FSA program expenditures. For example, records for each FSA recipient must clearly show that the student was eligible for the funds received, and that the funds were disbursed in accordance with program regulations. A school must keep records that substantiate the eligibility of students for FSA funds, such as:*

- *Cost of attendance information*
- *Documentation of a student's satisfactory academic progress*

- *Documentation of student's program of study and the courses in which the student was enrolled*
- *Data used to establish student's admission, enrollment status, and period of enrollment*
- *Required student certification statements and supporting documentation*
- *Documents used to verify applicant data, and resolve conflicting information*
- *Documentation of all professional judgment decisions*
- *Financial aid history information for transfer students*

*34 C.F.R. § 668.14 states that by entering into the program participation agreement, the institution agrees to the following:*

- *Compliance with all statutory provisions of or applicable to Title IV;*
- *Fiduciary responsibilities for administering Federal funds;*
- *Not to request from or charge any student a fee for processing or handling any application, form, or data required to determine a student's eligibility for , and amount of program assistance;*
- *The institution will establish and maintain administrative and fiscal procedures and records needed to ensure proper and efficient administration of funds received from the Secretary or from students.*

**Noncompliance:** *Students are charged the cost of tuition for the program for which he or she initially enrolls. When the student initiates a change in academic programs, BCB makes an adjustment to the initial academic program charges that are effective as of the date of the original program charges. The students were assessed incorrectly charges for changes in their enrolled program. Student Numbers 1, 6, 15, 17, 26, 27, and 28*

*Student Number 1 enrolled in the Administrative Assisting (AA) program on 2/23/2009. Effective 6/18/2009, the student changed to the Medical Office Administration (MOA) program. Tuition adjustments for the change in program were posted to the ledger with an effective date of 2/23/2009 and 11/9/2009.*

*Student Number 6 enrolled in the Medical Assisting (MA) program on 2/25/2010 and changed to the Information Processing Technology (IPT) program on 4/19/2010. A tuition adjustment for the change in program was posted to the student's ledger on 3/8/2010.*

*Student Number 15 enrolled in the IPT program on 1/25/2010 and changed to the MOA program on 3/5/2010. The tuition costs adjustment for the change in program was applied to the student's ledger on 2/1/2010. A second adjustment was applied to the student's ledger on 3/1/2010.*

*Student Number 17 enrolled in the Accounting System Technology (AST) program on 8/16/2010 and changed to the Office Administration program on 11/22/2010. The tuition costs adjustment was applied to the student's ledger on 9/13/2010.*

*Student Number 26 enrolled in the AA program on 8/28/2009 and changed to the MA program on 3/28/2010. The tuition costs adjustment was applied to the student's ledger on 8/31/2009.*

*Student Number 27 enrolled in MA program on 11/22/2010 and changed to the MOA program on 3/21/2011. Though there is a cost difference between the programs, no costs adjustments were made to the student's ledger.*

*Student Number 28 enrolled in MA on 8/9/2010 changed to Pharmacy Tech program on 10/18/2010. A tuition cost adjustment was applied to the student's account on*

**Required Action:** *BCB was required to conduct a file review for 100% of the students enrolled for the 2009-2010 and 2010-2011 award year to determine any additional student files with incorrect ledgers. The institution was required to submit the results of its file review and provide a copy of the corrected student ledgers, reflecting accurate institutional charges, cash payments, payments and/ or credits from any other sources, FSA disbursements, credit balance payments to students, tuition adjustments, and, Return of Title IV funds. All transactions were to be identified by type (e.g., "tuition"; "fees"; "Pell"; "SEOG"; "cash", etc.) and the effective date.*

*BCB was instructed to establish a procedure to ensure that a clear audit trail is maintained for each Title IV recipient.*

*BCB was to engage an Independent Public Accountant (IPA) to test the file review completed by BCB.*

**BCB's Response:** BCB disagreed with this finding and stated that the students were not incorrectly assessed for changes in their enrolled program. BCB stated that the students were charged the correct amount of tuition and fees based upon changes in their enrolled program.

BCB explained that its students are charged by the payment period. Each program is divided into 2 or 4 payment periods depending upon length of the academic year. In the event of a program change initiated by the student, the tuition charges are adjusted in each of the payment periods to reflect the new tuition amount. The effective date of these charges is the scheduled begin date of the respective payment period(s). The institution's software system tracks the changes in tuition and fee charges with the date of the actual change.

BCB modified its procedure for posting tuition and fee charges when a student changes programs of study. At present, adjustments in tuition and fees are now shown as of the effective date of the change for the current and any previous payment periods. Adjustments for future payment periods are effective as of the scheduled begin date of the payment period.

Additionally BCB requested that the requirement to conduct a file review be vacated for this finding.

**Final Determination:** BCB is required to keep comprehensive, accurate program and fiscal records related to its use of FSA program funds.

BCB ledgers, at the time of the program review on-site visit, reflected changes in tuition charges that affected payment periods that were prior to the student's actual change in program enrollment. Because BCB applied the increase/ decrease in charges due to a program change to payment periods that should not have been affected by the change, the ledgers reflected incorrect data and resulted in an unclear ledger trail.

The requirement to conduct a file review for this finding was removed.

Ledgers for student number 1, 6, 15, 17, 26, 27, and 28 were affected by BCB's procedures, at that time. As a result of the review, BCB was required to provide a copy of the corrected student ledgers, reflecting accurate institutional charges, cash payments and/ or credits from any other source, FSA disbursements, and credit balance payments to the student, tuition adjustments, and Return to Title IV funds. BCB corrected the ledgers for Student Number 1, 6, 15, 17, 26, 27, and 28. A copy of the corrected ledgers was provided to this office.

BCB has established procedures to ensure that a clear audit trail is maintained for each Title IV recipient. This finding is considered closed.

**Finding 3. *Incomplete Verification/ Conflicting Information.***

**Citation:** 34 C.F.R. § 668.54 *Selection of Applications for Verification*  
34 C.F.R. § 668.56 *Items to be Verified*

*Pursuant to 34 C.F.R. § 668.54(a)(2), an institution shall require each applicant whose application is selected for verification on the basis of edits specified by the Secretary, to verify all of the applicable items specified in 34 C.F.R. § 668.56, except that no institution is required to verify the applications of more than 30 percent of its total number of applicants for assistance under the Federal Pell Grant, Federal Direct Stafford/Ford Loan, campus-based, and Federal Stafford Loan program in an award year.*

*If an applicant is selected, by the Central Processing Server (CPS) to verify his or her application, the institution shall require the applicant to verify the following information:*

- *household size,*
- *number enrolled in college,*
- *adjusted gross income (AGI),*
- *U.S. income tax paid, and*
- *certain untaxed income and benefits.*

*In addition to verifying these required items, the institution can choose to verify any other application items, requiring any reasonable documentation.*

*In order to certify the accuracy of the data provided, the verification worksheet must be signed by the student and the student's spouse or parent, if applicable.*

*An institution is responsible for verifying the information that is used to calculate an applicant's Expected Family Contribution (EFC) as part of the determination of need for student financial assistance. The failure to do so may allow a student to receive funds for which he or she is not entitled and the school to retain funds for which it is not entitled.*

**Noncompliance:** *Verification was incomplete for the following students as described:*

<i>Student Number</i>	<i>Verification/ Conflict Issue</i>
3	<i>Student is dependent. No documentation of parent's income provided. Student's verification document states one student enrolled in college; however, ISIR reports two students in college.</i>
5	<i>Student's income reduced from \$30,000 to \$9,700 without supporting documentation.</i>
8	<i>Student selected for verification. No verification of student's income provided</i>
10	<i>Student states that he is employed; however, no verification of student's income.</i>
11	<i>Student is dependent and states that she is employed; however, no verification of the student's income was completed.</i>
13	<i>Student was selected for Verification on the 2009-2010 ISIR but provided documentation for the 2007 tax year, rather than the 2008.</i>
15	<i>The student indicated marital status as married on the Career Planning Form, but ISIR indicates the student is single. Conflicting data should have been resolved.</i>
17	<i>Student was selected for verification but income was not</i>

	<i>verified.</i>
18	<i>Student selected for verification for the 2009-2010 Award Year; however, student's file did not contain tax documents or income verification.</i>
25	<i>Dependent student selected for verification. Student's income was not verified and conflicting data regarding household size and the number of students in college.</i>

**Required Action:** *BCB was required to develop policies and procedures to insure that all conflicting data is resolved and the verification process is completed prior to disbursing Title IV funds to a student's account.*

*Additionally, BCB was required to conduct a file review for 100% of the students selected for verification for the 2009-2010 and 2010-2011 award year to determine any additional student files with incomplete verification. The institution had to submit the results of its file review and provide all supporting documentation used to resolve student files with incomplete verification.*

*BCB was required to engage an Independent Public Accountant (IPA) to test the file review completed by BCB.*

**BCB's Response:** BCB provided a copy of its newly implemented procedures for completing the verification process for those students selected for verification. A copy of the new procedures is included in BCB's Response to the Program Review Report, Appendix C.

BCB resolved the verification issues for students identified in the PRR (Student Number 3, 5, 8, 10, 11, 13, 17, and 25). BCB took the following actions for 3 remaining students identified from the PRR:

*Student Number 15:* The student indicated the marital status as married on the Career Planning Form, but the student's ISIR indicates that the student is single. BCB was unable to resolve the conflicting information; therefore, BCB returned the Title IV funds on 9/14/2012. Funds were returned in the following amounts:

Federal Pell Grant	\$2675
FSEOG	\$150
Subsidized Stafford Loan	\$1750
Unsubsidized Stafford Loan	\$514

*Student Number 18:* The student was selected for verification for the 2009-2010 award year; however, the student's file did not contain tax documents or income verification.

BCB was unable to obtain the tax documents or income verification. The following Title IV Program funds were returned on 9/14/2012:

Federal Pell Grant	\$750
Subsidized Stafford Loan	\$3500
Unsubsidized Stafford Loan	\$6000

BCB conducted a 100% file review of all Title IV recipients selected for verification during the 2009-2010 and 2010-2011 award years. The file review was reviewed and attested to by Knutte & Associates.

According to BCB, the file review identified eight (8) students for which the verification process was incomplete. BCB reported that 8 student files required corrections to the Expected Family Contribution (EFC) and the corrected EFC resulted in the following:

<u>Program</u>	<u>Instances</u>	<u>Amount</u>
Pell Grants:	8	\$8,038
FSEOG:	1	\$ 150
FFEL:	3	\$3,601

BCB provided documentation of the return of the Pell Grant, FSEOG, and FFEL funds.

**Final Determination:** The Verification procedures provided by BCB state that the financial staff of BCB participated in a verification webinar presented by the Association of Private Sector Colleges and Universities.

In addition to participating in the verification webinar, new procedures were implemented to aid in the verification process. The new procedures are as follow:

- The Financial Aid Administrator (FAA) will be responsible for completing the verification of selected students and initialing each required item on the Verification Checklist. Once completed, the file will be passed on to the Financial Aid Business Officer (FABO) for disbursement.
- Upon receipt of the file and prior to disbursement of Title IV funds, the FABO will audit the file to ensure that verification was completed and there is no unresolved conflicting information. The FABO will then initiate the Verification Checklist, indicating that the verification process was properly completed.

The Department accepts the new Verification procedures.

**Finding 4.** *Credit Balance Deficiencies.*

**Citation:** 34 C.F.R. § 668.164, *Student Assistance General Provisions*

*34 C.F.R. § 668.165, 668.165, Student Assistance General Provisions*

*When an institution disburses Title IV, HEA program funds by crediting a student's account and the total amount of all Title IV, HEA program funds credited exceeds the amount of tuition and fees, room and board and other authorized charges the institution assessed the student, the institution must pay the resulting credit balance directly to the student or parent as soon as possible, but no later than 14 days after the balance occurred after the first day of class or a payment period, or no later than 14 days after the first day of class of a payment if the credit balance occurred on or before the first day of class of that payment period.*

*The institution must obtain written authorization from a student to hold on behalf of the student or parent any Title IV, HEA program funds that would otherwise be paid directly to the student or parent. The institution must not coerce the student or parent to provide that authorization, must allow the student or parent to cancel or modify the authorization at any time, and explain how the institution will carry out that activity.*

*Furthermore, the institution must maintain cash in its bank account in an amount at least equal to the amount of funds the institution holds for the students, at all times.*

**Noncompliance:** *Credit Balance deficiencies were noted for the following students:*

<i>Student Number</i>	<i>Deficiency Noted</i>
5	<i>A credit balance was generated on 3/25/2011 (Pay Period 4). The credit balance was not paid to the student and student file does not contain authorization to retain the balance.</i>
12	<i>Credit balance generated on 11/17/2009 and paid to the lender on 1/6/11. Credit balance payment was late.</i>
19	<i>Credit balance generated on 3/1/11 and paid to the lender on 3/17/2011. No authorization by student to apply credit balance to the loan.</i>
21	<i>Credit balance generated but not paid. No authorization to retain the credit balance.</i>

**Required Action:** *The institution was required to conduct a file review of all students for the 2009-2010 and 2010-2011 award years to identify student files that have earned Title IV credit balances. The institution was instructed to submit the results of the file review and provide a copy of the credit balance authorization and both sides of cancelled checks for any credit balances that were previously paid or were paid as a response to this report.*

*BCB was instructed to develop policies and procedures to insure that Title IV credit balances are processed according to the student's authorization in a timely manner, and*

*to provide a copy of the policies and procedures with its response to the Program Review Report.*

**BCB's Response:** BCB addressed Student Number 5 and Student Number 21 by stating that the student files did not contain credit balances. Because the files for Student Number 5 and 21 did not reflect a credit balance, BCB requested that the requirement to conduct a file review be removed.

BCB did implement a new procedure that requires a recipient of Title IV funds to complete a form, "Allocation of Title IV Credit Balance". This form allows the student to elect how a Title IV credit balance is dispensed, should one occur. A copy of the new form was provided with the BCB's response to this finding.

**Final Determination:** BCB has updated the policies and procedures for the handling of Title IV Credit Balances. In addition to the policy and procedure updates, BCB has provided a copy of the updated Allocation of Title IV Credit Balance form.

This finding is considered closed.

**Finding 6.** *Award Notification Procedures Not Followed.*

**Citation:** 34 C.F.R. § 668.16, *General Provisions*

*An institution must provide adequate financial aid counseling to eligible students whom apply for Title IV assistance. Specifically, the institution must notify the student of the amount he or she can expect to receive, how, and when those funds will be disbursed. A copy of this notification must be kept in the student's file.*

**Noncompliance:** Notification of Federal Work Study (FWS) awards was not contained in the file for Student Number 4, 8, and 13. Also, Federal Work Study job descriptions were not contained in the student files for Student Number 4, 8, and 13.

**Required Action:** *BCB must develop adequate policies and procedures to ensure that all students awarded FWS receive the appropriate documented notification of the award. In addition, adequate financial aid counseling must be provided to all eligible students who apply for Title IV assistance. A copy of the policies and procedures must be provided in BCB's response to this finding.*

**BCB's Response:** BCB states that each eligible student is provided with financial aid counseling during a one-on-one interview. BCB goes on to state that it is during the interview that each Title IV program for which the student is eligible, is discussed and explained (to include the amount of the award and expected disbursement dates). The student acknowledges acceptance of the respective financial aid package by signing the Financial Aid Award Voucher.

BCB states that the exception to this process is the Federal Work Study Program. FWS funds do not appear on the voucher because of the limited amount of FWS funds available and the small number of FWS positions available. For students receiving FWS funds, a letter outlining the amount of the award and the expectation of work hours each is provided.

BCB provided a copy of the Financial Aid Award Voucher, job description and Notice of Federal Work Study Award which is provided to all FWS students.

**Final Determination:** The FWS Job Description and Notice of Federal Work Study Award were reviewed and accepted by the Department. BCB has updated the Financial Aid Award Voucher to reflect the minimum requirements for General Notification, as described in 34 C.F.R. § 668.165, Notices and Authorizations.

Because BCB has made the needed updates and revisions to the notifications and authorizations, the Department has closed this finding.

**Finding 9.** *Entrance and Exit Counseling Deficiencies.*

**Citations:** 34 C.F.R. § 682.604, *Processing the Borrower's Loan Proceeds and Counseling Borrowers*

*34 C.F.R. § 682.604 explains that an institution must ensure that entrance counseling is conducted with each Stafford Loan borrower prior to releasing of the first disbursement.*

*Additionally, an institution must ensure that exit counseling is conducted with each borrower either in person, by audiovisual presentation, or by interactive electronic means. The institution must ensure that the exit counseling is conducted shortly before the student borrower ceases at least half-time study at the school, and that an individual with expertise in the Title IV programs is reasonably available shortly after counseling to answer the student borrower's questions.*

*If a student borrower withdraws without prior notice to the school or fails to complete the exit counseling as required, exit counseling must be provided through interactive electronic means or by mailing written counseling materials to the student borrower at the student's last known address within 30 days after the school learns of that the student borrower has withdrawn from the school or failed to complete exit counseling as required.*

**Noncompliance:** *BCB conducted Exit Counseling for Student Number 10 prior to the student's enrollment at the institution. Entrance Counseling was conducted for Student Number 17 after the loan was disbursed.*

**Required Action:** *In response to this finding, BCB was required to provide documentation that exit counseling has been completed for Student Number 10. Additionally, BCB was required to develop a procedure to ensure that documented entrance and exit loan counseling is provided to all borrowers. A copy of the procedure was to be provided with BCB's response to the report.*

**BCB's Response:** BCB disagreed with a portion of this finding. BCB stated that, for Student Number 10, exit counseling was not performed prior to the student's enrollment in the institution. BCB states that the incorrect form was used because the FFEL lender provided BCB with forms for both the Entrance and Exit Counseling, and the forms are identical.

BCB stated that Student Number 17 received Entrance Counseling on 8/16/2010 and provided a copy of an Interview Outline Checklist dated 8/16/2010.

In addition to addressing the student specific portion of this finding, BCB provided a copy of the updated procedures for Entrance and Exit Counseling and requested that the finding be vacated.

**Final Determination:** The Department has reviewed BCB's response to this finding. Though the Department understands that the incorrect form was used to conduct Entrance Counseling for Student Number 10, BCB is responsible for ensuring that the student completes the correct form for Entrance and Exit Counseling. The form signed by Student Number 10 clearly states "Student Loan Exit Counseling Form" and is signed and dated by the student on 8/21/2009.

The Entrance Counseling form signed by Student Number 17 is dated 1/6/2011. The student began enrollment on 9/13/2010 and the loan was disbursed on 12/10/2010. The "Interview Outline Checklist" cannot be substituted for the official loan counseling document.

BCB is responsible for providing the appropriate Entrance and Exit Loan Counseling to its students and for properly documenting the loan counseling by using the correct forms.

BCB's updated policy and procedures were reviewed and are accepted.

This finding is considered closed.